

Message Text

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R 122323Z NOV 74

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

C O N F I D E N T I A L STATE 249518

E.O. 11652: GDS

TAGS: EAID, ID

SUBJECT: FY 1975 AND FY 1976 ASSISTANCE LEVELS

FOR CHARGE

1. SECRETARY HAS REVIEWED AID'S FY 1976 BUDGET SUBMISSION TO OMB WHICH INCLUDED A PROPOSED REVISION OF FY 1975 CONCESSIONAL ASSISTANCE LEVELS FOR INDONESIA. FUNDING FOR TWO FISCAL YEARS WAS REVIEWED TOGETHER, BECAUSE TREND OF OUR AID LEVELS IS AS IMPORTANT NOW AS BUDGET REQUEST FOR ANY ONE FISCAL YEAR. SECRETARY DECIDED ON DL LEVELS OF 40 MILLION DOLS FOR FY 1975 AND 20 MILLION DOLS FOR FY 1976. (COPY OF ADMINISTRATOR PARKER'S ACTION MEMO TO SECRETARY HAS BEEN POUCHED.)

2. YOU SHOULD TAKE EARLY OPPORTUNITY TO INFORM APPROPRIATE GOI OFFICIALS OF REVISED FY 1975 DL LEVEL. IN EXPLAINING SHORTFALL FROM PLEDGED 60 MILLION DOLS
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LEVEL, YOU MIGHT ALLUDE TO PREVIOUS UNDERSTANDING BETWEEN

OUR TWO GOVERNMENTS THAT A REDUCTION IN CONCESSIONAL AID WAS IN ORDER THIS FISCAL YEAR AND THEN GO ON TO SAY THAT CIRCUMSTANCES HAVE REGRETTABLY OBLIGED US TO ACCELERATE THIS REDUCTION. CONGRESS IS NOW FULLY AWARE OF INDONESIA'S GREATLY IMPROVED FOREIGN EXCHANGE POSITION AND STRONGLY PREFERS THAT U.S. AID BE CHanneLED TOWARD THOSE COUNTRIES MOST IN NEED OF BOP ASSISTANCE.

3. YOU MIGHT NOTE THAT INDONESIA'S IMPROVED BOP POSITION HAS ALSO ENABLED EXIM BANK TO EXTEND CREDITS SO FAR IN AMOUNT OF 63.2 MILLION DOLS, PLUS 6.8 MILLION DOLS IN A PRELIMINARY COMMITMENT. EFFORT SHOULD BE MADE HERE TO AVOID GIVING IMPRESSION WE ARE MAKING DOLLAR FOR DOLLAR SUBSTITUTION OF EXIM CREDITS FOR SHORTFALL IN PLEDGED PROJECT LOANS. EXIM BANK ALSO HAS SEVERE BUDGETARY LIMITATION THIS FISCAL YEAR AND PROBABLY IN FY 1976 AND THEREFORE HAS A SERIOUS PROBLEM IN ALLOCATING ITS RESOURCES AGAINST LARGE DEMAND FOR LOANS.

4. DO NOT AT THIS TIME MENTION PROPOSED FY 1976 DL FIGURE, WHICH STILL IS NOT YET AN AGREED UPON INTER-AGENCY DETERMINATION. IF QUERIED BY GOI OFFICIALS, YOU MIGHT TELL THEM THAT NEED FOR FURTHER PHASING DOWN OF CONCESSIONAL AID TO INDONESIA TO REFLECT COUNTRY'S CHANGED FINANCIAL POSITION WILL RESULT IN A DL FIGURE ALMOST CERTAINLY LOWER THAN THIS YEAR'S FIGURE.

5. IF ASKED ABOUT PL 480 LEVELS, YOU SHOULD REITERATE INFORMATION SENT IN STATE 234910. KISSINGER

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